



*The True Solution for Managing Climate Change*

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THIRD ANNUAL CONFERENCE ON  
**Carbon Sequestration**

*Building on the Current Technology Base to Provide Viable Options to Reduce Carbon Intensity*

## The Role of Aggregation & a Rigorous Management System in Creating Agricultural Carbon Offsets...

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## Agenda




- ◆ AgCert: Who We Are
- ◆ Market Dynamics
- ◆ Market Responses
- ◆ What Defines Credit Quality?
- ◆ Why a Rigorous Management System?

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## Who We Are




**AgCert**


- ◆ Established: 2001
- ◆ Vision: Drive positive change in Agriculture
- ◆ Strategy:
  - ◆ Require sound science
  - ◆ Utilize economically sustainable solutions
  - ◆ Achieve verifiable compliance
- ◆ Mandate:
  - Work with agricultural producers to create greenhouse gas (GHG) emission reductions (ERs), using the resulting offset revenue stream to finance the practice/technology changes.
  - ◆ Agriculture as an anthropogenic source
  - ◆ Mitigation of livestock emissions + soil sequestration
  - ◆ ISO 9001/14001 certification & management systems
  - ◆ ISO 14064 review
- ◆ Science Partnership: USDA CRADA #58-3K95-2-949
- ◆ Locations:
  - ◆ United States HQ = Melbourne, FL
  - ◆ Canada HQ = Edmonton, AB
  - ◆ CDM Activities
    - ◆ Brazil / Mexico projects underway
    - ◆ Asia projects in planning stage

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## Market Dynamics




GHG Requirements being driven by:

- ◆ Kyoto Accord
- ◆ EU ETS
- ◆ Domestic / Regional Trading Systems
  - ◆ Canada (and Provinces)
  - ◆ U.S. Regional
  - ◆ Japan
- ◆ Funds
  - ◆ World Bank managed
  - ◆ Individual governments
- ◆ Commercial Drivers
  - ◆ Carbon Disclosure Project II
  - ◆ Sarbanes-Oxley
  - ◆ Shareholder Activism
- ◆ Liability Issues
  - "The potential compensation for climate change impacts would make the tobacco pay-outs look like peanuts"


*Cited in Financial Times, July 14, 2003*  
— Peter Roderick, Climate Justice Programme Lawyer

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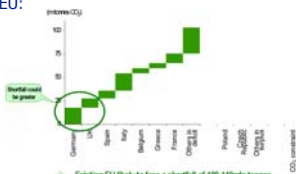
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## Market Responses




- ◆ EU:
 




Existing EU likely to face a shortfall of 100-110 million tonnes
- ◆ Canada: The Climate Action Plan for Canada identifies Canada's annual (Kyoto) shortfall as 60 million tonnes.
- ◆ Other industrialized nations are having difficulty manifesting 25-30+% drops in GHG without adversely affecting economic output...

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## Market Responses (cont.)




- ◆ The CDM/JI "flexible mechanisms" afford Annex I countries (and industry) a cost-effective means to meet their GHG compliance requirements:
- ◆ EU ETS Linking Directive: Approved via EU Parliament Plenary 20 April 2004:
  - ✓ CDM: effective 1 January 2005
  - ✓ JI: effective 1 January 2008




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## What Defines Credit 'Quality' ?



Credits that meet all global "credibility" tests...

Credits that enable emitters to meet their compliance requirements...

Credits created through a rigorous, verifiable approach...

<u>Requirements</u>	<u>Goals</u>
<ul style="list-style-type: none"> <li>Government Approval</li> <li>Science based ("sound science")</li> <li>3<sup>rd</sup> Party Verified</li> <li>Audited</li> <li>Clear Title</li> <li>Data Transparency</li> <li>Permanence</li> <li>Additionality</li> <li>Long term contracts/relationships with large quantities on consistent terms</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Economics</li> <li>Guaranteed delivery (escrow)</li> <li>Co-Benefits               <ul style="list-style-type: none"> <li>Environmental</li> <li>Economic (new "industry")</li> </ul> </li> </ul>

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## Why a Rigorous Management System?




- Liability**  
 A shift of liability requires policy + exacting data & verifiability.
  - Models vs. 'ground truthing'
  - Quality assurance, including 3<sup>rd</sup> party audits
- Fungibility**
  - Transferability between trading regimes
    - Canada DTS
    - EU ETS
    - Kyoto
    - Regional (U.S.)
  - Permanent vs. 'temporary' ("sink") credits
    - 'Recognition' of various credit types
- Credibility** (does it pass 'peer review?')
- Trade Issues**

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## Closing Thoughts...



- Agriculture can play *significant* role mitigating worldwide carbon/GHG problem - provided rigorous management system is used. (billions of tonnes total capacity)
- Aggregation is key to creating 'consistent supply' between diverse sources & suppliers ("farms")
- Standards & Government 'signaling' critical to market development
  - Process is as important as the end-product [transparency, etc.]

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